

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 153

June 3, 1958

INTEREST: ACCRUAL DATE UNDER SECTION 24672

Syllabus:

Interest begins to accrue under Section 24672 the date taxpayer ceases to be subject to the tax imposed under Chapter 2 of the Bank and Corporation Tax Law.

Taxpayer was incorporated in November 1952 and commenced to do business on the date of incorporation. Taxpayer reported on an October 31 fiscal year basis, and at the end of that period had unreported profits from installment sales. The corporation ceased business before the end of the following income year and dissolved in February 1955. Since the taxpayer reported its income on the installment basis, the unreported installment income as of October 31, 1953 was included in income for the fiscal year ending on October 31, 1953. Interest was accrued on the additional tax due from October 31, 1954 to the date of payment. Advice is requested as to when to begin to accrue interest on assessments under the provision of Section 24672 of the Bank and Corporation Tax Law.

Prior to 1951, Section 19(e)(5), relating to installment obligations provided " -- the accrual of interest -- shall commence -- on the last day of the year of the cessation of business by the corporation." In 1951 the provisions were redrafted, renumbered and codified as Section 25295, now Section 24672. The reason for redrafting was to make the provisions formerly applicable only to the Franchise Tax Act also applicable to the Corporation Income Tax. As amended, Section 24672 reads, in part, as follows: "-- the accrual of interest -- shall commence on the date taxpayer ceases to be subject to the tax imposed under Chapter 2 or Chapter 3 of this part."

Since in the instant case taxpayer ceased to be subject to the tax imposed under Chapter 2 on the date that it dissolved, interest will begin to accrue on February 15, 1955.